

PROFOUND MEDICAL CORP.

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE
HELD ON JUNE 14, 2018**

AND

MANAGEMENT INFORMATION CIRCULAR

DATED AS OF MAY 2, 2018

PROFOUND MEDICAL CORP.

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT an annual and special meeting (the “**Meeting**”) of the holders (the “**Shareholders**”) of common shares (“**Common Shares**”) in the capital of Profound Medical Corp. (the “**Corporation**”) will be held at 2400 Skymark Avenue, Unit 6, Mississauga, Ontario, L4W 5K5, on Thursday, June 14, 2018 at 10:00 a.m. (Toronto time) for the following purposes:

1. to receive the audited financial statements of the Corporation for the financial year ended December 31, 2017 and the accompanying report of the auditors thereon;
2. to elect the directors of the Corporation for the ensuing year;
3. to appoint the auditors of the Corporation for the ensuing year and to authorize the directors of the Corporation to fix the auditors’ remuneration;
4. to consider and, if deemed appropriate, to pass an ordinary resolution ratifying and approving certain amendments to the by-laws of the Corporation, as more particularly described in the accompanying management information circular (the “**Circular**”); and
5. to transact such other business as may be properly brought before the Meeting or any postponement or adjournment thereof.

Shareholders should refer to the Circular for more detailed information with respect to the matters to be considered at the Meeting.

Only Shareholders of record as of May 2, 2018 (the “**Record Date**”) are entitled to notice of the Meeting and to vote at the Meeting and at any adjournment or postponement thereof.

If you are a registered Shareholder and are unable to attend the Meeting in person, please date and execute the accompanying form of proxy and return it to TSX Trust Company either in person, or by mail or courier, to 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1 or via the internet at www.voteproxyonline.com by no later than by 10:00 a.m. on Tuesday, June 12, 2018, or if the Meeting is adjourned or postponed, at least 48 hours, excluding Saturdays, Sundays and holidays, prior to any such adjournment or postponement. If you receive more than one form of proxy because you own Common Shares registered in different names or addresses, each form of proxy should be completed and returned.

If you are not a registered Shareholder and receive these materials through your broker or through another intermediary, please complete and return the accompanying voting instruction form in accordance with the instructions provided to you by your broker or by the other intermediary.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) “*Arun Menawat*”

Arun Menawat
Director and Chief Executive Officer
May 2, 2018.

PROFOUND MEDICAL CORP.
MANAGEMENT INFORMATION CIRCULAR
SOLICITATION OF PROXIES

This management information circular (this “Circular”) is provided in connection with the solicitation of proxies by the management of Profound Medical Corp. (the “Corporation” or “Profound”) for use at the annual and special meeting (the “Meeting”) of the holders (the “Shareholders”) of common shares (“Common Shares”) in the capital of the Corporation. The Meeting will be held on Thursday, June 14, 2018 at 10:00 a.m. (Toronto time) at 2400 Skymark Avenue, Unit 6, Mississauga, Ontario, L4W 5K5, or at such other time or place to which the Meeting may be adjourned, for the purposes set forth in the notice of annual and special meeting accompanying this Circular (the “Notice”). Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or other means of electronic communication. In accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“NI 54-101”), arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

These securityholder materials are being sent to both registered and non-registered (beneficial) owners of the securities. If you are a non-registered owner and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings or securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

Accompanying this Circular (and filed with applicable securities regulatory authorities) is a form of proxy for use at the Meeting. Each Shareholder who is entitled to attend the Meeting is encouraged to participate in the Meeting and Shareholders are urged to vote on matters to be considered in person or by proxy.

Unless otherwise stated, the information contained in this Circular is given as of May 2, 2018. All time references in this Circular are references to Toronto time. All amounts referred to in this Circular are presented in Canadian dollars, unless otherwise stated.

APPOINTMENT AND REVOCATION OF PROXIES

Registered Shareholders

Appointment of Proxies

Those Shareholders who wish to be represented at the Meeting by proxy must complete and deliver a proper form of proxy to TSX Trust Company (the “Transfer Agent”) either in person, or by mail or courier, to 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1 or via the internet at www.voteproxyonline.com.

The persons named as proxyholders in the form of proxy accompanying this Circular are designated by management of the Corporation and are representatives of the Corporation’s management for the Meeting. **A Shareholder who wishes to appoint some other person (who need not be a Shareholder) to attend and act for and on such Shareholder’s behalf at the Meeting other than the management nominees designated in the form of proxy may do so by either: (i) crossing out the names of the management nominees AND legibly printing the other person’s name in the blank space provided in the accompanying form of proxy; or (ii) completing another valid form of proxy.** In either case, the completed form of proxy must be delivered to the Transfer Agent at the place and within the time specified herein for the deposit of proxies. A Shareholder who appoints a proxy who is someone other than the management representatives named in the form of proxy should notify the nominee of the appointment, obtain the nominee’s consent to act as proxy and provide instructions on how the Common Shares are to be voted. The nominee should bring personal identification to the Meeting. In any case, the form of proxy should be dated and executed by the Shareholder or an attorney authorized in writing, with proof of such authorization attached (where an attorney executed the proxy form).

In order to validly appoint a proxy, the form of proxy must be received by the Transfer Agent (the address is stated above or in the form of proxy) by 10:00 a.m. (Toronto time) on Tuesday, June 12, 2018, or if the Meeting is adjourned or postponed, at least 48 hours, excluding Saturdays, Sundays and holidays, prior to any such adjournment or postponement. After such time, the Chair of the Meeting may accept or reject a form of proxy delivered to him in his discretion but is under no obligation to accept or reject any particular late form of proxy.

Revocation of a Proxy

A Shareholder who has validly given a proxy may revoke it for any matter upon which a vote has not already been cast by the proxyholder appointed therein. In addition to revocation in any other manner permitted by law, a proxy may be revoked with an instrument in writing signed and delivered to either the registered office of the Corporation or the Transfer Agent, 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1, at any time up to and including the last business day preceding the date of the Meeting, or any postponement or adjournment thereof at which the proxy is to be used, or deposited with the Chair of such Meeting on the day of the Meeting, or any postponement or adjournment thereof. The document used to revoke a proxy must be in writing and completed and signed by the Shareholder or his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

Signature on Proxies

The form of proxy must be executed by the Shareholder or his or her duly appointed attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer whose title must be indicated. A form of proxy signed by a person acting as attorney or in some other representative capacity should indicate that person's capacity (following his or her signature) and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with the Corporation).

Voting of Proxies

Each Shareholder may instruct his, her or its proxy how to vote his, her or its Common Shares by completing the blanks on the form of proxy.

The Common Shares represented by the enclosed form of proxy will be voted or withheld from voting on any motion, by ballot or otherwise, in accordance with any indicated instructions. If a Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. In the absence of such direction, such Common Shares will be voted FOR the resolutions described in the form of proxy and below.

The accompanying form of proxy confers discretionary authority upon the persons named therein to vote on any amendments or variations to matters identified in the Notice and with respect to such other business or matters which may properly come before the Meeting or any adjournment or postponement thereof. As of the date hereof, management of the Corporation knew of no such amendments or variations or other matters to come before the Meeting.

Beneficial (Non-Registered) Shareholders

The information set forth in this section is of importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name. Shareholders who hold their Common Shares through depositories (e.g. CDS & Co., the registration name for CDS Clearing and Depository Services Inc.), brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to in this Circular as "**Beneficial Shareholders**") should note that only proxies deposited by Shareholders who are registered Shareholders (that is, shareholders whose names appear on the records maintained by the Transfer Agent as registered holders of Common Shares) will be recognized and acted upon at the Meeting.

Without specific instructions, brokers (or their agents and nominees) are prohibited from voting shares for the broker's clients. Subject to the following discussion in relation to NOBOs (as defined below), the Corporation does not know for whose benefit the Common Shares registered in the name of CDS & Co., a broker or another nominee, are held.

There are two categories of Beneficial Shareholders for the purposes of applicable securities regulatory policy in relation to the mechanism of dissemination to Beneficial Shareholders of proxy-related materials and other securityholder materials and to request voting instructions from such Beneficial Shareholders. Non-objecting beneficial owners (“**NOBOs**”) are Beneficial Shareholders who have advised their intermediary (such as brokers or other nominees) that they do not object to their intermediary disclosing ownership information to the Corporation, consisting of their name, address, e-mail address, securities holdings and preferred language of communication. **Securities legislation restricts the use of that information to matters strictly relating to the affairs of the Corporation.** Objecting beneficial owners (“**OBOs**”) are Beneficial Shareholders who have advised their intermediary that they object to their intermediary disclosing such ownership information to the Corporation.

In accordance with the requirements of NI 54-101, the Corporation is sending the Notice, this Circular and a voting instruction form or a form of proxy, as applicable (collectively, the “**Meeting Materials**”), directly to NOBOs and indirectly, through intermediaries, to OBOs. NI 54-101 permits the Corporation, in its discretion, to obtain a list of its NOBOs from intermediaries and use such NOBO list for the purpose of distributing the Meeting Materials directly to, and seeking voting instructions directly from, such NOBOs. As a result, the Corporation is entitled to deliver Meeting Materials to Beneficial Shareholders in two manners: (a) directly to NOBOs and indirectly through intermediaries to OBOs; or (b) indirectly to all Beneficial Shareholders through intermediaries. In accordance with the requirements of NI 54-101, the Corporation is sending the Meeting Materials directly to NOBOs and indirectly, through intermediaries, to OBOs. The Corporation will pay the fees and expenses of intermediaries for their services in delivering Meeting Materials to OBOs in accordance with NI 54-101.

The Corporation has used a NOBO list to send the Meeting Materials directly to those NOBOs whose names appear on that list. If the Corporation has sent these materials directly to a NOBO, such NOBO’s name and address and information about its holdings of Common Shares have been obtained from the intermediary holding such shares on the NOBO’s behalf in accordance with applicable securities regulatory requirements. As a result, any NOBO of the Corporation can expect to receive a voting instruction form from the Transfer Agent. NOBOs should complete and return the voting instruction form to the Transfer Agent in the envelope provided. The Transfer Agent will tabulate the results of voting instruction forms received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by such voting instruction forms.

Applicable securities regulatory policy requires intermediaries, on receipt of Meeting Materials that seek voting instructions from Beneficial Shareholders indirectly, to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings on Form 54-101F7 – *Request for Voting Instructions Made by Intermediary* (“**Form 54-101F7**”). Every intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting or any adjournment or postponement thereof. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders; however, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. Beneficial Shareholders who wish to appear in person and vote at the Meeting should be appointed as their own representatives at the Meeting in accordance with the directions of their intermediaries and Form 54-101F7. Beneficial Shareholders can also write the name of someone else whom they wish to attend at the Meeting and vote on their behalf. Unless prohibited by law, the person whose name is written in the space provided in Form 54-101F7 will have full authority to present matters to the Meeting and vote on all matters that are presented at the Meeting, even if those matters are not set out in Form 54-101F7 or this Circular.

The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge typically mails a voting instruction form in lieu of the form of proxy. Beneficial Shareholders are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Broadridge will then provide aggregate voting instructions to the Transfer Agent, which tabulates the results and provides appropriate instructions respecting the voting of shares to be represented at the Meeting or any adjournment or postponement thereof. By choosing to send the Meeting Materials to NOBOs directly, the Corporation (and not the intermediary holding Common Shares on your behalf) has assumed responsibility for (i) delivering these materials to you; and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

All references to Shareholders in this Circular and the accompanying form of proxy and Notice are to registered Shareholders unless specifically stated otherwise.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

Shareholders of record as of May 2, 2018 (the “**Record Date**”) are entitled to receive notice of and to attend and vote at the Meeting. As at the date hereof, the Corporation had 107,617,377 issued and outstanding Common Shares. Each Common Share entitles the holder to one vote in respect of any matter that may come before the Meeting.

Pursuant to the by-laws of the Corporation, a quorum is present at the Meeting if two or more voting persons are present in person and authorized to cast in the aggregate not less than 10% of the total number of votes attaching to all Common Shares.

To the knowledge of the directors and officers of the Corporation, as at the date hereof, no person or corporation beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the issued and outstanding Common Shares other than:

| Name | Number of Common Shares Owned or Controlled | Percent of Outstanding Common Shares |
|---|---|--------------------------------------|
| BDC Capital Inc. (“ BDC Capital ”) | 13,441,792 | 12.5% |
| Genesys Ventures II LP (“ Genesys ”) | 13,328,144 | 12.4% |

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No directors or officers of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, is or was indebted, directly or indirectly, to the Corporation or its subsidiaries at any time since the beginning of the last completed financial year of the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed in this Circular, no director or officer of the Corporation, nor any proposed nominee for election as a director of the Corporation, nor any other insider of the Corporation, nor any associate or affiliate of any one of them, has or has had, at any time since the beginning of the last completed financial year of the Corporation, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Corporation.

On March 20, 2018, Genesys, of which entity Mr. Lamb is an officer, purchased 1,500,000 units (“**Units**”) of the Corporation at a price of \$1.00 per Unit for total consideration of \$1,500,000 pursuant to a bought deal financing. Each Unit consisted of one Common Share and one-half of one warrant, with each whole warrant entitling the holder to acquire one Common Share at a price of \$1.40 per Common Share until the date that is 60 months from the closing of the bought deal financing. Genesys acquired the Units for investment purposes.

MATTERS TO BE CONSIDERED AT THE MEETING

Financial Statements

The audited financial statements of the Corporation and the auditors’ report thereon as at and for the financial year ended December 31, 2017 (the “**Financial Statements**”) will be placed before the Shareholders at the Meeting, but no vote by the Shareholders with respect thereto is required or proposed to be taken in respect of the Financial Statements. The Financial Statements were audited by PricewaterhouseCoopers LLP of Toronto, Ontario and are available under the Corporation’s profile on SEDAR, online at www.sedar.com.

Election of Directors

At the Meeting, Shareholders are required to elect the directors of the Corporation to hold office until the next annual meeting of Shareholders or until the successors of such directors are elected or appointed. Shareholders will be asked to vote on the election of eight directors at the Meeting, as further described below.

The persons designated as proxyholders in the accompanying form of proxy (absent contrary directions) intend to vote FOR the election of the directors as set forth above. The Corporation does not contemplate that any of such nominees will be unable to serve as directors; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies held by the persons designated as proxyholders in the accompanying form of proxy will be voted for another nominee in their discretion unless the Shareholder has specified in his or her form of proxy that his or her Common Shares are to be withheld from voting in the election of directors.

The Board has adopted a policy that entitles each Shareholder to vote for each nominee on an individual basis. In addition, the Board has adopted a policy stipulating that if the votes in favour of the election of a director nominee at the Meeting represent less than a majority of the Common Shares voted and withheld, the nominee shall, immediately following the Meeting, submit his or her resignation to the Board for consideration. The Board shall consider and, within 90 days of the Meeting, determine whether or not to accept the resignation. A press release disclosing the Board's determination (and the reasons for rejecting the resignation, if applicable) shall be issued promptly following such determination. The nominee will not participate in any Compensation Committee or Board deliberations on the resignation offer. The policy does not apply in circumstances involving contested elections.

The following table sets forth the name of each of the persons proposed to be nominated for election as a director of the Corporation, all positions and offices in the Corporation presently held by such nominees, the nominees' municipality, province or state and country of residence, principal occupation within the five preceding years, the period during which the nominees have served as directors, and the number and percentage of Common Shares beneficially owned by the nominees, directly or indirectly, or over which control or direction is exercised.

| Name, Age and Residence | Positions with the Corporation and Date First Appointed to the Board | Principal Occupation | Number and Percentage of Common Shares Beneficially Owned or Controlled |
|--|---|--|--|
| Damian Lamb ⁽¹⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽¹⁰⁾ Age: 46 Toronto, Ontario, Canada | Director June 4, 2015 | Co-Founder of Genesys Capital, a venture capital company (since April 2000). | 13,328,144 12.4% |
| Jean-François Pariseau ⁽²⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁹⁾ Age: 48 Montréal, Québec, Canada | Director June 4, 2015 | Partner, BDC Capital Healthcare Fund, a venture capital company (since July 2001). | 13,441,792 12.5% |
| Arun Menawat ⁽⁶⁾ Age: 63 Oakville, Ontario, Canada | Chief Executive Officer and Director June 4, 2015 | Chief Executive Officer and Director of the Corporation (since August 2016); President and Chief Executive Officer of Novadaq Technologies Inc. (from 2003 to 2016). | 3,442,579 ⁽¹²⁾ 3.19% |
| William Curran ⁽³⁾⁽⁴⁾⁽⁶⁾⁽⁸⁾ Age: 69 Rye, New York, USA | Director June 4, 2015 | Director, Chairman of Audit Committee and member of Executive Committee of 3D Systems Corporation, a 3D printer manufacturing company (since 2008); previously non-Executive Chairman and Director of Resonant Medical Inc., a 3D ultrasound technology development company. | 66,000 ⁽¹¹⁾ 0.06% |
| Kenneth Galbraith ⁽³⁾⁽⁴⁾⁽⁶⁾ Age: 55 Vancouver, British Columbia, Canada | Director January 17, 2017 | Founder of Five Corners Capital, a venture capital management company (since 2013). | 33,000 ⁽¹¹⁾ 0.03% |

| Name, Age and Residence | Positions with the Corporation and Date First Appointed to the Board | Principal Occupation | Number and Percentage of Common Shares Beneficially Owned or Controlled |
|--|--|--|---|
| Samira Sakhia ⁽³⁾⁽⁵⁾⁽¹³⁾ Age: 49 Montreal, Quebec, Canada | Director March 3, 2017 | President, Chief Financial Officer and Director of Knight Therapeutics Inc., a specialty pharmaceutical company (since August 2016); Chief Financial Officer of Paladin Labs Inc., a specialty pharmaceutical company (from 2001 to 2015). | 16,500 ⁽¹¹⁾ 0.02% |
| Arthur Rosenthal Age: 71 Oro Valley, Arizona, USA | Proposed Director | Professor of Practice in the Biomedical Engineering Department at Boston University (since 2011); Chief Executive Officer of gEyeCue, Ltd., a medical technology company (since 2011). | - |
| Brian Ellacott Age: 61 Sanibel Island, Florida, USA | Proposed Director | Chief Executive Officer Belmont Instrument Corporation, a medical device company (since 2017); President and Chief Executive Officer Laborie Medical Technologies, a medical device company (from 2013 to 2017). | - |

Notes:

- (1) The Common Shares are controlled and held by Genesys.
- (2) The Common Shares are controlled and held by BDC.
- (3) Member of the Audit Committee.
- (4) Member of the Compensation Committee.
- (5) Member of the Corporate Governance and Nominating Committee.
- (6) Member of Executive Committee.
- (7) Chair of Executive Committee.
- (8) Chair of the Audit Committee.
- (9) Chair of the Compensation Committee.
- (10) Chair of the Corporate Governance and Nominating Committee.
- (11) Represents options to purchase Common Shares (the “**Option**”).
- (12) Represents 677,300 Common Shares and 2,765,279 Options.
- (13) The Common Shares are controlled and held by Knight.

Director Biographies

Damian Lamb – Director – Mr. Lamb is co-Founder and Managing Director of Genesys Capital, a Canadian-based venture capital firm exclusively focused on the life sciences industry. Mr. Lamb brings a unique experience base, blending skills in both the commercial and technical side of biotechnology. Since co-founding Genesys Capital in 2000, Mr. Lamb has been instrumental in raising over \$225 million in venture capital funds and has been involved in deploying over \$140 million across 28 investments. Other than Profound, Mr. Lamb currently serves on the board of directors of Affinium Pharmaceuticals Inc. and the Centre for Probe Development and Commercialization at McMaster University. Mr. Lamb has served on the board of directors of Ionalytics Corporation (acquired by Thermo Electron Corp.), Millenium Biologix (acquired by Medtronic) and was Chairman of the board of directors of DELEX Therapeutics Inc. when it was sold to YM BioSciences. Mr. Lamb works closely with Genesys Capital investee companies to strategically position the companies to build value for shareholders. Prior to co-founding Genesys Capital, Mr. Lamb was an investment manager with MDS Capital Corp. Mr. Lamb is a frequently invited speaker at biotechnology industry conferences. Mr. Lamb graduated from McMaster University, Faculty of Health Sciences, with an M.S. in Molecular Neurobiology and also holds a Master of Business Administration from Queen’s University.

Jean-François Pariseau – Director – Mr. Pariseau is Partner in the BDC Capital Healthcare Fund. Mr. Pariseau joined BDC Venture Capital in 2001 and has over 20 years of investment and entrepreneurial experience in the healthcare sector. Prior to joining BDC Capital Healthcare Fund, Mr. Pariseau was an investment manager with CDP Capital

Technology Ventures, a \$2 billion global fund investing in healthcare, information technology and advanced technologies, where Mr. Pariseau was responsible for healthcare investments in Canada and the United States. Mr. Pariseau has invested and managed more than \$200 million in biopharmaceutical and medical device companies in North America. His experience includes transactions in private and in public companies, IPOs, M&A and fund investments. Prior to this, Mr. Pariseau was CEO of a consulting company specializing in regulatory affairs, and was VP, R&D for a pharmaceutical-product distribution company, both of which he founded. Mr. Pariseau also sits on the board of directors of AngioChem, Clementia Pharmaceutical, Imagia Cybernetics, MedDev Commercialization Centre for medical devices and is an advisor to Hacking Health. Mr. Pariseau holds a Bachelor of Science in Biotechnology from Université de Sherbrooke, a Master of Science in Biomedical Sciences from Université de Montréal, and an MBA from HEC Montréal.

Arun Menawat, PhD – Director – Dr. Menawat joined Profound as Chief Executive Officer in August 2016 and has been a member of the Board for approximately two years prior to joining the Corporation. Previously, Dr. Menawat was the President and Chief Executive Officer of Novadaq Technologies Inc., for 13 years, guiding the company from a start-up to a fast growing, NASDAQ listed medical imaging company in North America, with a market cap of approximately \$1 billion at the time of his departure. Previously, Dr. Menawat was President of Cedara, a medical imaging software company and held senior positions at Tenneco Inc. and Hercules Inc. Dr. Menawat currently serves on the board of directors of Stereotaxis and EIMindA and as an advisor to Baylis Medical. Dr. Menawat’s educational background includes a Ph.D. in Chemical Engineering, from the University of Maryland, College Park, MD, and an Executive MBA from the J.L. Kellogg School of Management, Northwestern University, Evanston, Illinois.

William Curran – Director – Mr. Curran has extensive experience in operations, finance and executive management. He was formerly President and Chief Executive Officer of Philips Electronics North America. Mr. Curran served in diverse functional and senior management positions during his career with Philips, including as Chief Financial Officer of Philips Medical Systems North America. Mr. Curran currently serves on the board of directors of 3D Systems, Inc., a provider of three-dimensional content-to-print solutions including 3D printers, print materials and on-demand custom parts services for professionals and consumers, and is Chairman of that company’s Audit Committee and a member of the Executive Committee. Mr. Curran was non-executive Chairman and a director of Resonant Medical before it was sold to Elekta A.B. in 2010. Mr. Curran has previously served as a director for companies in the medical, electronics, and software industries. Mr. Curran holds a Master of Business Administration from the Wharton School of the University of Pennsylvania.

Kenneth Galbraith – Director – Mr. Galbraith is an accomplished life sciences industry veteran with over 25 years of experience acting as an executive, director, investor and advisor to companies in the biotechnology, medical device, pharmaceutical and healthcare sectors. Mr. Galbraith joined Ventures West as a General Partner in 2007 and led the firm’s biotechnology practice prior to founding Five Corners Capital in 2013 to continue management of the Ventures West investment portfolio. Previously, Mr. Galbraith served as the Chairman and Interim CEO of AnorMED until its sale to Genzyme Corp. in a cash transaction worth almost US\$600 million. Starting his career in the life sciences sector in 1987, Mr. Galbraith spent 13 years in senior management with QLT Inc., retiring in 2000 from his position as Executive VP and CFO when QLT Inc.’s market capitalization exceeded US\$5 billion. Mr. Galbraith has served on the board of directors of several public and private companies, including Angiotech Pharmaceuticals, Arbutus Biopharma and Cardiome Pharma. Mr. Galbraith currently serves on the board of directors of MacroGenics and Prometic Life Sciences. Mr. Galbraith earned a Bachelor of Commerce (Honors) degree from the University of British Columbia in 1985 and was appointed a Fellow of the Chartered Accountants of British Columbia in 2013.

Arthur L. Rosenthal, PhD – Director – Dr. Rosenthal is director and Chair of Compensation Committee for LivaNova PLC, a UK global medical technology company. Prior, Dr. Rosenthal served on the Cyberonics board of directors as a non-executive director and Chair of the Compensation Committee from January 2007 to October 2015. Since June 2010, Dr. Rosenthal has served as Professor of Practice in the Biomedical Engineering Department at Boston University. Since December 2011, Dr. Rosenthal has also served as CEO of gEyeCue, Ltd., which he co-founded, a development stage medical device company working on a guided biopsy for lower and upper gastrointestinal cancer screening. From June 2011 until July 2012, Arthur served as executive vice chairman of Cappella Medical Devices Ltd. (now ArraVasc Ltd.), a development-stage company focused on novel device solutions for coronary artery disease. From June 2009 until June 2011, Dr. Rosenthal served as President and CEO of Cappella, Inc. Arthur served as chairman, from January 2002, and CEO, commencing in January 2005, of Labcoat, Ltd. until its acquisition by Boston Scientific Corporation in December 2008. From January 1994 to May 2000, Dr. Rosenthal was a Senior Vice

President, Corporate Officer, and Chief Development Officer of Boston Scientific, and from May 2000 until his retirement in January 2005, he was a Senior Vice President, Chief Scientific Officer, and Executive Committee Member of Boston Scientific. From 2000 until 2010, Arthur served as a non-executive director, and from 2006 through 2009, as chairman of the Remuneration Committee, of Renovo, Ltd., a U.K. based pharmaceutical company that became publicly traded in 2006. In July 2009, Arthur joined the board of Interface Biologics, Inc., a Toronto-based development stage company focused on drug delivery devices, as a non-executive director. In April 2011, Dr. Rosenthal was elected Chairman at Interface Biologics, Inc. From April 2013 to May 2015, Dr. Rosenthal served as non-executive director and Member of the Compensation Committee of Arch Technologies, Inc. and is currently and member of Arch's Clinical Advisory Board. In 2015, Dr. Rosenthal was appointed to the Industrial Advisory Committee, CURAM (National University in Galway, Ireland). Dr. Rosenthal is a Fellow of the American Institute of Medical and Biological Engineering since 2003.

Brian Ellacott – Director – Mr. Ellacott is an experienced global medical device executive. Mr. Ellacott joined Belmont Instrument as Chief Executive Officer in December 2017. Belmont is a Boston based private equity owned medical device company with a leading global position in fluid warming and infusion systems. Prior to Belmont, Mr. Ellacott was the President and CEO of Laborie Medical Technologies (“**Laborie**”). Laborie is a Urology and Gastroenterology medical device company based in Toronto with manufacturing facilities in Toronto, Montreal, Enschede NL, Attikon Switzerland and Portsmouth New Hampshire. Mr. Ellacott joined private equity owned Laborie as President and CEO in July 2013 and in four years completed 14 global acquisitions tripling Laborie's revenue and increasing EBITDA eight fold. The company was ranked as one of the fastest growing and most profitable medical device companies in the world. Prior to joining Laborie, Mr. Ellacott served as Executive Vice President and General Manager of Invacare's (NYSE:IVC) \$1 billion North and South American homecare and rehabilitation business. Mr. Ellacott has also held executive positions with Baxter International and American Hospital Supply, with assignments in Canada, Australia and the United States. Mr. Ellacott serves on the board of Belmont and is the past Chairman of the board of the Canadian Assistive Devices Association. Mr. Ellacott holds a Bachelor of Business Administration Degree from Laurier University, Waterloo, Ontario Canada and is a dual United States and Canadian citizen.

Samira Sakhia – Ms. Sakhia is President, Chief Financial Officer and a member of the board of directors of Knight Therapeutics Inc. (“**Knight**”), a leading Canadian specialty pharmaceutical company. Prior to Knight, Ms. Sakhia served as the CFO at Paladin Labs Inc. (acquired by Endo International PLC. February 2014), a specialty pharmaceutical company from 2001 to 2015. At Paladin, Ms. Sakhia was responsible for the finance, operations, human resources and investor relations functions. During her employment with Paladin, Ms. Sakhia was instrumental in executing in-licensing and acquisition transactions of Canadian and international pharmaceutical products and businesses. In addition, Ms. Sakhia led several M&A and strategic lending transactions as well as equity rounds on the Toronto Stock Exchange and completed the sale of Paladin to Endo International for over \$3 billion. Ms. Sakhia holds an MBA and a Bachelors of Commerce degree from McGill University and is also a Chartered Professional Accountant.

Cease Trade Orders, Bankruptcies and Penalties

No proposed director is, or has been, within the 10 years prior to the date hereof, a director, chief executive officer or chief financial officer of any company that:

- (a) was the subject of a cease trade or similar order, or an order that denied such company access to any exemptions under applicable securities legislation for a period of more than 30 consecutive days that was issued while the proposed director was acting as director, chief executive officer or chief financial officer; or
- (b) was the subject of a cease trade or similar order, or an order that denied such company access to any exemptions under applicable securities legislation for a period of more than 30 consecutive days that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director is, or has been within the 10 years prior to the date hereof a director or executive officer of any other issuer that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject

to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

No proposed director has, within the 10 years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

No proposed director has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable securityholder in deciding whether to vote for the proposed director.

Appointment of Auditor

At the Meeting, the Shareholders are required to appoint the auditors of the Corporation. Shareholders will be asked to vote on the appointment of PricewaterhouseCoopers LLP and to authorize the Board to fix their remuneration. PricewaterhouseCoopers LLP was first appointed as the auditors of the Corporation on June 22, 2015.

The persons designated as proxyholders in the accompanying form of proxy (absent contrary directions) intend to vote FOR the appointment of the auditors as set forth above.

Amendment to By-Laws (Advance Notice Requirement)

At the Meeting, Shareholders will be asked to consider and, if deemed appropriate, to confirm by ordinary resolution an amendment to the by-laws of the Corporation (“**By-Law No. 1**”) adopted by the Board effective July 16, 2014, to include mandatory procedures for nominations of persons for election to the Board, including an advance notice requirement for nominations by Shareholders in certain circumstances (the “**By-Law Amendment**”). The advance notice requirement fixes a deadline by which holders of record of Common Shares must submit director nominations to the Chair of the Board prior to any annual meeting of Shareholders (or any special meeting of Shareholders if one of the purposes for which the special meeting is called is the election of one or more directors) and sets forth the specific information that a nominating Shareholder must include in the written notice to the Chair of the Board for a nomination to be valid.

The Board understands that amending By-Law No. 1 to include an advance notice requirement is consistent with an emerging corporate governance trend among Canadian issuers. The Board and management believe that the By-Law Amendment provides Shareholders, directors and management with a transparent, structured and fair framework for nominating directors. In addition, the Board and management believe that the advance notice requirement will facilitate an orderly and efficient annual or special meeting process, ensure that all Shareholders receive adequate notice and information concerning nominees and provide Shareholders reasonable time for appropriate deliberation in advance of the meeting.

The full text of the resolution confirming the By-Law Amendment is attached to this Circular as Schedule “B”. In order to be passed, the resolution confirming the By-Law Amendment requires the approval of a majority of the votes cast thereon by Shareholders present in person or represented by proxy at the Meeting.

The persons designated as proxyholders in the accompanying form of proxy (absent contrary directions) intend to vote FOR the resolution confirming and approving the By-Law Amendment as set forth above.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Objectives

Profound has relied on the experience of the Board in setting executive compensation. In considering compensation awards, the Board has considered the skill level of its executives as well as comparable levels of compensation for individuals with similar capabilities and experience. In regard to Profound’s current executive compensation arrangements, the Board has considered such factors as Profound’s current financial situation, the estimated financial

situation of Profound in the mid-term and the need to attract and retain the key executives necessary for Profound's long term success. The Board has determined that at this stage of Profound it is appropriate that compensation be in the form of base salary, Options, a potential bonus award and certain benefits plans.

Profound has established a Compensation Committee, which oversees the Corporation's remuneration policies and practices. The principal responsibilities of the Compensation Committee include: (i) considering Profound's overall remuneration strategy and, where information is available, verifying the appropriateness of existing remuneration levels using external sources for comparison; (ii) comparing the nature and amount of Profound's directors' and executive officers' compensation to performance against goals set for the year while considering relevant comparative information, independent expert advice and Profound's financial position; and (iii) making recommendations to the Board in respect of director and executive officer remuneration matters, with the overall objective of ensuring maximum shareholder benefit from the retention of high quality board and executive team members.

Base Salary

In determining the base salary compensation of the Named Executive Officers (as defined below), the Board considered: (i) recruiting and retaining executives critical to the success of Profound and the enhancement of shareholder value; (ii) providing fair and competitive compensation; (iii) balancing the interests of management and Shareholders; and (iv) rewarding performance, both on an individual basis and with respect to operations in general.

Long-term Incentives

Long-term incentives, in the form of Options, are intended to align the interests of Profound's directors and its executive officers with those of the Shareholders, to provide a long term incentive that rewards these individuals for their contribution to the creation of shareholder value and to reduce the cash compensation Profound would otherwise have to pay. The Corporation's second amended and restated share option plan (the "**Share Option Plan**") is administered by the Board. In establishing the number of Options to be granted to any particular executive officer, reference was made to the number of Options granted to officers of other companies involved in similar businesses. The Board also considers previous grants of Options and the overall number of Options that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of Options and the size and terms of any such grants, as well as the level of effort, time, responsibility, ability, experience and level of commitment of the executive officer in determining the level of incentive stock option compensation.

Bonus Awards

The Board will consider whether it is appropriate and in the best interests of the Corporation to award a discretionary cash bonus to executive officers for the most recently completed financial year and if so, in what amount. A cash bonus may be awarded to reward extraordinary performance that has led to increased value for shareholders through property acquisitions or divestitures, the formation of new strategic or joint venture relationships and/or capital raising efforts.

Benefits Plans

The Named Executive Officers are entitled to life insurance, health and dental benefits.

Named Executive Officers

The Corporation is a venture issuer and is disclosing the compensation of its director and named executive officers in accordance with Form 51-102F6V *Statement of Executive Compensation – Venture Issuers*. The following individuals are considered the "**Named Executive Officers**" or "**NEOs**" for the purposes of the disclosure:

- (a) each individual who, during any part of the most recently completed financial year, served as the Corporation's Chief Executive Officer or CEO, including an individual performing functions similar to a CEO;
- (b) each individual who, during any part of the most recently completed financial year, served as the Corporation's Chief Financial Officer or CFO, including an individual performing functions similar to a CFO;

- (c) the most highly compensated executive officer of the Corporation and its subsidiaries, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was more than \$150,000, as determined in accordance with subsection 1.3(5) of Form 51-102F6V *Statement of Executive Compensation – Venture Issuers*, for the fiscal year ended December 31, 2017; and
- (d) each individual who would be a Named Executive Officer under paragraph (c) but for the fact the individual was not an executive officer of the Corporation and was not acting in a similar capacity as of December 31, 2017.

Summary Compensation Table

The following table sets forth information concerning the total compensation for the three most recently completed financial years paid to the Named Executive Officers and any director as of the most recently completed financial year who is not a Named Executive Officer. Dr. Menawat is the only officer of the Corporation that also serves as a director of the Corporation.

| Name and Position | Year | Salary (\$) | Bonus (\$) | Committee or Meeting Fees (\$) | Value of Perquisites (\$) | Value of All Other Compensation (\$) | Total Compensation (\$) |
|--|------|-------------|------------|--------------------------------|---------------------------|--------------------------------------|-------------------------|
| Arun Menawat ⁽¹⁾ Chief Executive Officer and Director | 2017 | \$331,500 | - | - | \$12,000 | - | \$343,500 |
| | 2016 | \$125,370 | \$24,363 | \$18,771 | \$6,497 | - | \$175,001 |
| | 2015 | - | - | \$20,000 | - | - | \$20,000 |
| Steven Plymale ⁽²⁾ Former President, Chief Operating Officer and Director | 2017 | \$75,969 | - | - | \$2,750 | \$132,317 ⁽⁶⁾ | \$211,036 |
| | 2016 | \$331,500 | \$98,950 | - | \$18,241 | - | \$448,691 |
| | 2015 | \$354,152 | \$130,000 | - | \$43,727 | - | \$534,203 |
| Rashed Dewan Vice-President of Finance | 2017 | \$184,301 | - | - | - | - | \$184,301 |
| | 2016 | \$178,500 | \$12,888 | - | - | - | \$191,388 |
| | 2015 | \$76,455 | - | - | - | \$1,996 | \$78,451 |
| Ronald Kurtz ⁽³⁾ Former Vice-President of Research and Development | 2017 | \$200,698 | - | - | - | - | \$200,698 |
| | 2016 | \$229,500 | - | - | - | - | \$229,500 |
| | 2015 | \$203,598 | - | - | \$5,509 | - | \$209,107 |
| Goldy Singh Vice-President of Quality and Regulatory Affairs | 2017 | \$205,020 | - | - | - | - | \$205,020 |
| | 2016 | \$204,000 | \$14,800 | - | - | - | \$218,800 |
| | 2015 | \$177,460 | - | - | - | - | \$177,460 |
| William Curran Director | 2017 | - | - | \$34,402 ⁽⁷⁾ | - | - | \$34,402 ⁽⁷⁾ |
| | 2016 | - | - | \$26,599 ⁽⁷⁾ | - | - | \$26,599 ⁽⁷⁾ |
| | 2015 | - | - | \$25,702 ⁽⁷⁾ | - | - | \$25,702 ⁽⁷⁾ |
| Damian Lamb Director | 2017 | - | - | - | - | - | - |
| | 2016 | - | - | - | - | - | - |
| | 2015 | - | - | - | - | - | - |
| Jean-François Pariseau Director | 2017 | - | - | - | - | - | - |
| | 2016 | - | - | - | - | - | - |
| | 2015 | - | - | - | - | - | - |
| Kenneth Galbraith ⁽⁴⁾ Director | 2017 | - | - | \$27,500 | - | - | \$27,500 |

| Name and Position | Year | Salary (\$) | Bonus (\$) | Committee or Meeting Fees (\$) | Value of Perquisites (\$) | Value of All Other Compensation (\$) | Total Compensation (\$) |
|--|------|-------------|------------|--------------------------------|---------------------------|--------------------------------------|-------------------------|
| Samira Sakhia ⁽⁵⁾ Director | 2017 | - | - | \$26,500 | - | - | \$26,500 |
| Jonathan Ross Goodman ⁽⁵⁾ Former Director | 2017 | - | - | - | - | - | - |
| | 2016 | - | - | \$27,500 | - | - | \$27,500 |
| | 2015 | - | - | - | - | - | - |

Notes:

- (1) Dr. Menawat was appointed Chief Executive Officer on August 15, 2016, as such he no longer receives any Director or Committee fees.
- (2) Mr. Plymale resigned as Director, President and Chief Operating Officer of the Corporation on March 24, 2017.
- (3) Mr. Kurtz's employment was terminated as Vice-President of Research and Development of the Corporation on January 24, 2018.
- (4) Mr. Galbraith was appointed as Director of the Corporation on January 17, 2017.
- (5) Mr. Goodman resigned as Director of the Corporation on March 3, 2017 and the Board appointed Ms. Sakhia as his replacement.
- (6) Amounts paid represent termination benefits.
- (7) Amounts paid in United States dollars and converted to Canadian dollars for reporting purposes. On May 2, 2018, the exchange rate for United States dollars expressed in Canadian dollars (as reported by the Bank of Canada) was US\$1.00 = C\$1.2851.

Outstanding Compensation Securities

The following table sets forth all option-based awards and any other compensation securities of the Corporation granted or issued to the Named Executive Officers and directors in the most recently completed financial year for services provided or to be provided to the Corporation.

| Name and Position | Type of Compensation Security | Number of Compensation Securities and Percentage of Class | Date of Issue or Grant | Exercise Price (\$) | Closing Price of Security or Underlying Security on Date of Grant (\$) | Closing Price of Security or Underlying Security at Year End (\$) | Expiry Date |
|---|-------------------------------|---|------------------------|---------------------|--|---|---------------|
| Arun Menawat ⁽¹⁾ Chief Executive Officer and Director | Options | 33,000 – 0.6% | Nov 12, 2014 | \$1.50 | N/A | \$0.84 | Nov 12, 2024 |
| | | 934,055 – 17.9% | Aug 22, 2016 | \$1.46 | N/A | | Aug 22, 2026 |
| | | 16,500 – 0.3% | Sep 15, 2016 | \$1.35 | N/A | | Sep 15, 2026 |
| | | 364,141 – 7.0% | Nov 24, 2016 | \$1.10 | \$1.00 | | Nov 24, 2026 |
| | | 1,417,583 – 27.2% | Dec 21, 2016 | \$1.10 | \$1.05 | | Dec 21, 2026 |
| Rashed Dewan ⁽²⁾ Vice-President of Finance | Options | 30,000 – 0.6% | Sept 8, 2015 | \$1.50 | \$0.95 | \$0.84 | Sept 8, 2025 |
| | | 50,000 – 1.0% | Jul 19, 2016 | \$1.35 | N/A | | Jul 19, 2026 |
| | | 75,000 – 1.4% | Nov 24, 2016 | \$1.10 | \$1.00 | | Nov 24, 2026 |
| | | 45,000 – 0.9% | Nov 16, 2017 | \$0.85 | \$0.85 | | Nov 16, 2027 |
| Ronald Kurtz ⁽³⁾ Former Vice-President of Research and Development | Options | 150,000 – 2.9% | Apr 11, 2012 | \$0.24 | N/A | \$0.84 | Apr 11, 2022 |
| | | 225,000 – 4.3% | Sept 8, 2015 | \$1.50 | \$0.95 | | Sept 8, 2025 |
| Goldy Singh ⁽⁴⁾ Vice-President of Quality and Regulatory Affairs | Options | 50,000 – 1.0% | Dec 1, 2011 | \$0.24 | N/A | \$0.84 | Dec 1, 2021 |
| | | 25,000 – 0.5% | Sept 12, 2012 | \$0.24 | N/A | | Sept 12, 2022 |
| | | 300,000 – 5.8% | Sept 8, 2015 | \$1.50 | \$0.95 | | Sept 8, 2025 |
| Samira Sakhia ⁽⁵⁾ Director | Options | 16,500 – 0.3% | Apr 25, 2017 | \$0.97 | \$0.85 | \$0.84 | Apr 25, 2027 |

| Name and Position | Type of Compensation Security | Number of Compensation Securities and Percentage of Class | Date of Issue or Grant | Exercise Price (\$) | Closing Price of Security or Underlying Security on Date of Grant (\$) | Closing Price of Security or Underlying Security at Year End (\$) | Expiry Date |
|---|-------------------------------|---|------------------------|---------------------|--|---|--------------|
| Kenneth Galbraith ⁽⁶⁾ Director | Options | 33,000 – 0.6% | Apr 25, 2017 | \$0.97 | \$0.85 | \$0.84 | Apr 25, 2027 |
| William Curran ⁽⁷⁾ Director | Options | 33,000 – 0.6% | Mar 16, 2012 | \$0.24 | N/A | \$0.84 | Mar 16, 2022 |
| | | 16,500 – 0.3% | Sep 15, 2016 | \$1.35 | N/A | | Sep 15, 2026 |
| | | 16,500 – 0.3% | Apr 24, 2017 | \$0.97 | \$0.85 | | Apr 24, 2027 |

Notes:

- (1) Dr. Menawat holds 2,765,279 Options, with 813,868 of these Options exercisable and the remaining balance vesting over a three year period.
- (2) Mr. Dewan holds 200,000 Options, with 54,897 of these Options exercisable and the remaining balance vesting over a three year period
- (3) Mr. Kurtz holds 375,000 Options, with 251,563 of these Options exercisable and the remaining balance vesting over a three year period.
- (4) Ms. Singh holds 375,000 Options, with 243,750 of these Options exercisable and the remaining balance vesting over a three year period.
- (5) Ms. Sakhia holds 16,500 Options, all Options remain unvested and will vest over a three year period.
- (6) Mr. Galbraith holds 33,000 Options, all Options remain unvested and will vest over a three year period.
- (7) Mr. Curran holds 66,000 Options, with 49,500 of these Options exercisable and the remaining balance vesting over a three year period.

Share Option Plan

The Share Option Plan is administered by the Board, which may, from time to time, delegate to a committee of the Board, all or any of the powers conferred to the Board under the Share Option Plan.

The Share Option Plan provides that the Board may from time to time, in its discretion, grant to directors, officers, employees, consultants and any other person or entity engaged to provide ongoing services to the Corporation non-transferable Options, *provided that* the maximum number of Common Shares reserved for issuance under the Share Option Plan shall not exceed 7,189,725 Common Shares. If Profound obtains a listing on the Toronto Stock Exchange for the Common Shares, the Share Option Plan will automatically become a “rolling” plan, such that the maximum number of Common Shares reserved for issuance under the Share Option Plan shall be equal to a number that is 13% of the issued and outstanding shares in the capital of the Corporation at the time of any Option grant.

The exercise price of Options shall not be less than the Market Price of the Common Shares on the date the Option is granted. For the purposes of the Share Option Plan, “Market Price” means the volume-weighted average price of the Common Shares on the stock exchange where the majority of trading volume and value of the Common Shares occurs, for the five trading days immediately preceding the relevant date on which the Market Price is to be determined. If the Common Shares are not listed for trading on a stock exchange, the Market Price shall be the fair market value of the Common Shares as determined by the Board.

The number of Options granted to any one person, within any one-year period, shall not exceed 5% of the issued and outstanding Common Shares. Subject to the foregoing limitations, the Share Option Plan does not limit the number of Options that may be granted to any insiders of the Corporation, from time to time.

The Share Option Plan also provides that:

- (a) Common Shares that were the subject of Options granted under the Share Option Plan that have been surrendered, lapsed, cancelled or terminated shall thereupon no longer be in reserve and may once again be subject to an Option granted under the Share Option Plan;
- (b) the expiry date for an Option shall not in any circumstance be later than the lesser of the 10th anniversary of the date an Option is granted and the maximum period of time allowed by the TSX Venture Exchange (“TSX-V”); and

- (c) subject to certain exceptions outlined in the Share Option Plan, all Options held by an officer or employee of the Corporation shall expire and terminate, and such employee optionee shall cease to be an eligible person, immediately upon the termination date of such optionee or the date of such optionee's death, disability or retirement.

Subject to the limitations set out in the Share Option Plan, and any further Shareholder approvals required by the TSX-V, the Board may amend the Share Option Plan from time to time.

As of the date of this Circular, there were 5,212,591 issued and outstanding Options under the Share Option Plan with a weighted-average exercise price of \$1.08 and a weighted-average contractual life of 7.36 years.

Termination and Change of Control Benefits

Each of Dr. Menawat, Mr. Dewan and Ms. Singh are a party to an executive employment agreement (the “**Executive Employment Agreements**”) with the Corporation. The Executive Employment Agreements have an indefinite term and contain standard confidentiality and non-solicitation provisions. Profound has agreed pursuant to the Executive Employment Agreements that each of Dr. Menawat, Mr. Dewan and Ms. Singh will receive base salaries determined by the Board and may receive discretionary bonuses, grants of Options, reimbursement of expenses, benefits and certain perquisites as set forth in the Executive Employment Agreements, with the amounts paid in 2017 with respect to such matters set forth in the Summary Compensation Table.

The following table sets forth information with respect to the estimated aggregate dollar amount to which each current NEO would have been entitled if the event resulting in termination of employment occurred on December 31, 2017. Mr. Kurtz was terminated as Vice-President of Research and Development of the Corporation on January 24, 2018.

| Name | Triggering Event | Cash Payment | Value of Bonus and other Benefits | Value of Option Awards | Total Payout |
|--------------|------------------------------------|-------------------------|-----------------------------------|-------------------------|--------------|
| Arun Menawat | Termination with cause/resignation | Nil ⁽¹⁾ | Nil | Nil ⁽³⁾ | Nil |
| | Termination without cause | \$331,500 | \$24,182 ⁽²⁾ | Nil ⁽³⁾ | \$355,682 |
| | Change of control | Nil | Nil | Nil | Nil |
| Rashed Dewan | Termination with cause/resignation | Nil ⁽¹⁾ | Nil | Nil ⁽³⁾ | Nil |
| | Termination without cause | \$92,150 ⁽⁵⁾ | \$4,296 ⁽²⁾ | Nil ⁽³⁾ | \$96,446 |
| | Change of control | Nil | Nil | Nil | Nil |
| Goldy Singh | Termination with cause/resignation | Nil ⁽¹⁾ | Nil | \$45,000 ⁽³⁾ | \$45,000 |
| | Termination without cause | Nil | \$4,633 ⁽²⁾ | \$45,000 ⁽³⁾ | \$49,633 |
| | Change of control | Nil | Nil | \$45,000 ⁽⁴⁾ | \$45,000 |

Notes:

- (1) In the event of a termination for just cause or resignation, the Corporation shall have no further obligation to Dr. Menawat, Mr. Dewan or Ms. Singh, as applicable, other than the payment of unpaid base salary, any bonus declared but not yet paid, plus all outstanding vacation pay and expense reimbursement.
- (2) The value shown is a multiple of the annual cost of benefits and the average cash bonus paid in respect of the years ended December 31, 2017, 2016 and 2015.
- (3) The value shown is the product of the number of Common Shares underlying the vested Options multiplied by the difference between the Common Share TSX-V closing price on December 31, 2017 of \$0.84 and the exercise price.
- (4) The value shown is the product of the number of Common Shares underlying the Options multiplied by the difference between the Common Share TSX-V closing price on December 31, 2017 of \$0.84 and the exercise price.
- (5) If Mr. Dewan's employment is terminated without cause, he is entitled to the greater of: (i) six months' notice; or (ii) the minimum notice (or pay in lieu) and minimum severance, if any, to which he would be entitled under employments standards legislation.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth the securities of the Corporation that are authorized for issuance under the Share Option Plan as at the end of the Corporation's most recently completed financial year.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans |
|---|---|---|--|
| Equity compensation plans approved by securityholders | 5,318,279 | \$1.09 per Common Share | 1,871,446 |
| Equity compensation plans not approved by securityholders | Nil | Nil | Nil |
| Total | 5,318,279 | \$1.09 per Common Share | 1,871,446 |

AUDIT COMMITTEE

The Audit Committee oversees the accounting and financial reporting practices and procedures of the Corporation's financial statements. The principal responsibilities of the Audit Committee include: (i) overseeing the quality and integrity of the internal controls and accounting procedures of the Corporation, including reviewing the Corporation's procedures for internal control with the Corporation's auditor and chief financial officer; (ii) reviewing and assessing the quality and integrity of the Corporation's annual and quarterly financial statements and related management discussion and analysis, as well as all other material continuous disclosure documents; (iii) monitoring compliance with legal and regulatory requirements related to financial reporting; (iv) reviewing and approving the engagement of the auditor of the Corporation and independent audit fees; (v) reviewing the qualifications, performance and independence of the auditor of the Corporation, considering the auditor's recommendations and managing the relationship with the auditor, including meeting with the auditor as required in connection with the audit services provided to the Corporation; (vi) assessing the Corporation's financial and accounting personnel; (viii) reviewing the Corporation's risk management procedures; (ix) reviewing any significant transactions outside of the Corporation's ordinary course of business and any pending litigation involving the Corporation; and (x) examining improprieties or suspected improprieties with respect to accounting and other matters that affect financial reporting. The Audit Committee Charter is attached hereto as Schedule "A".

Composition of the Audit Committee

The following are the current members of the Audit Committee:

| Name | Independence | Financial Literacy |
|-------------------|--------------|----------------------|
| Kenneth Galbraith | Independent | Financially Literate |
| William Curran | Independent | Financially Literate |
| Samira Sakhia | Independent | Financially Literate |

Relevant Education and Experience

The relevant education and experience of each member of the Audit Committee, is provided above, under the heading "Election of Directors". All of the Audit Committee members are independent of management of the Corporation as required by the TSX-V and each member is financially literate in that each has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial period was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in Schedule "A" attached hereto.

External Auditor Service Fees (By Category)

The aggregate fees billed by the Corporation's external auditor in the last two fiscal years as follows:

| Financial Year Ending | Audit Fees⁽¹⁾ | Audit Related Fees⁽²⁾ | Tax Fees⁽³⁾ | All Other Fees⁽⁴⁾ |
|------------------------------|---------------------------------|---|-------------------------------|-------------------------------------|
| December 31, 2017 | \$313,400 | \$29,700 | \$186,000 | \$0 |
| December 31, 2016 | \$228,500 | \$97,200 | \$82,200 | \$0 |

Notes:

- (1) Audit fees includes annual audit, quarterly reviews and work performed in relation to the bought deals.
- (2) Audit related fees includes work performed on acquisitions.
- (3) Tax fees includes fees related to annual tax returns and scientific research credit return along with tax and transfer pricing advice.
- (4) All other fees includes services other than those reported under (1), (2) and (3), and consulting services, risk management advisory services and IT reviews not performed in connection with the audit.

AUDITOR

The auditors of the Corporation is PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, PwC Centre, 354 Davis Road, Suite 600, Oakville, ON L6J 0C5. PricewaterhouseCoopers LLP has served as the Corporation's auditor since June 22, 2015.

CORPORATE GOVERNANCE

The Board assumes overall responsibility for the direction of the Corporation through its delegation to senior management and through the ongoing function of the Board and its committees, as applicable.

Standing Board Committees

The Corporation has establish four standing committee of the Board: (i) the Audit Committee; (ii) the Corporate Governance and Nominating Committee; (iii) the Compensation Committee; and (iv) the Executive Committee.

Director Independence

Damian Lamb, Jean-François Pariseau, Brian Ellacott, William Curran, Arthur Rosenthal, Samira Sakhia and Kenneth Galbraith are all "independent" for the purposes of Policy 3.1 of the TSX Venture Exchange Corporate Finance Manual. Arun Menawat is non-independent as he is the Chief Executive Officer of the Corporation.

Other Reporting Issuer Experience

The following table sets out proposed directors that are presently directors of other issuers that are reporting issuers (or the equivalent) in Canada or a foreign jurisdiction, the name of such reporting issuers and the name of the exchange or market applicable to such reporting issuers:

| Name | Name of Reporting Issuer | Name of Exchange or Market (if applicable) |
|-------------------------------|--|--|
| William Curran | 3D Systems, Inc. | New York Stock Exchange |
| Kenneth Galbraith | Macrogenics, Inc., Prometic Life Sciences Inc. | NASDAQ, Toronto Stock Exchange |
| Jean-François Pariseau | Clementia Pharmaceuticals | NASDAQ |
| Arthur Rosenthal | LivaNova PLC | NASDAQ |
| Samira Sakhia | Antibe Therapeutics Inc., Nuvo Pharmaceuticals Inc. and Crescita Therapeutics Inc. | Toronto Stock Exchange |

Orientation and Continuing Education

While the Corporation does not currently have a formal orientation and education program for new members of the Board, the Corporation provides such orientation and education on an *ad hoc* and informal basis. The directors believe that these procedures are a practical and effective approach in light of the Corporation's particular circumstances, including the size of the Corporation and the number, experience and expertise of its directors.

Ethical Business Conduct

The Board expects management to operate the Corporation's business in a manner that enhances shareholder value and is consistent with the highest level of integrity. The Board monitors the ethical conduct of the Corporation and ensures that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges.

The Board has established a Code of Business Conduct and Ethics, which enshrines the Corporation's commitment to conducting business in an open and ethical manner, and a Whistleblower Policy, which sets out the responsibilities, policies and procedures in conjunction with reports that are made pursuant to the Code of Business Conduct and Ethics. In addition, the Corporation has adopted a Restricted Trading Policy, imposing certain trading restrictions on employees and directors, consistent with best practices and a Disclosure Policy, which establishes a procedure for the disclosure of material information to the market.

Collectively, these policies ensure that directors, officers and employees of the Corporation always conduct themselves with integrity and consistent with the highest ethical standards.

Nomination of Directors

The Corporate Governance and Nominating Committee oversees the Corporation's approach to corporate governance matters, including considering nominees for independent directors of the Corporation and planning for the succession of directors and executive officers of the Corporation, including appointing, training and monitoring senior management to ensure that the Board and management have appropriate skill and experience.

The Board seeks nominees that have the following characteristics: (i) a track record in general business management; (ii) special expertise in an area of strategic interest to the Corporation; (iii) the ability to devote time; and (iv) support for the Corporation's mission and strategic objectives.

Director and Executive Compensation

The Compensation Committee oversees the remuneration policies and practices of the Corporation. The principal responsibilities of the Compensation Committee include: (i) considering the Corporation's overall remuneration strategy and, where information is available, verifying the appropriateness of existing remuneration levels using external sources for comparison; (ii) comparing the nature and amount of the Corporation's directors' and executive officers' compensation to performance against goals set for the year while considering relevant comparative information, independent expert advice and the financial position of the Corporation, and (iii) making recommendations to the Board in respect of director and executive officer remuneration matters, with the overall objective of ensuring maximum shareholder benefit from the retention of high quality board and executive team members.

In May 2017, the Board completed a review of director compensation. Director compensation will be a 30% cash and 70% equity to provide balanced short and long term rewards. For the cash compensation portion, Profound will pay a fixed retainer consistent with a role-based approach. These changes to director compensation were adopted and will come into effect in the current fiscal year.

Assessments

The Corporate Governance and Nominating Committee is authorized to conduct periodic reviews to assess the effectiveness of the Board as a whole and each committee of the Board. No reviews were conducted in the recently completed fiscal year.

Executive Committee

The Executive Committee is responsible for overseeing and assessing the functioning of the Board, including providing strategic direction and advice to management regarding the Corporation's business and affairs.

MANAGEMENT CONTRACTS

The Corporation does not currently have any management contracts in place.

ADDITIONAL INFORMATION

Financial information pertaining to the Corporation is provided in the Financial Statements and related management's discussion and analysis. Copies of the Financial Statements and related management's discussion and analysis can be obtained by contacting Stephen Kilmer, Investor Relations, at 2400 Skymark Avenue, Unit 6, Mississauga, Ontario, L4W 5K5. Additional Information relating to the Corporation is available on the SEDAR website at www.sedar.com.

DIRECTOR APPROVAL

The contents of this Circular and the sending thereof to the Shareholders, directors and auditor of the Corporation have been approved by the Board.

(Signed) "*Arun Menawat*"

Arun Menawat
Director and Chief Executive Officer
May 2, 2018

SCHEDULE “A”

PROFOUND MEDICAL CORP. (the “Company”)

AUDIT COMMITTEE CHARTER

PURPOSE

The Audit Committee (the “Committee”) is a standing committee appointed by the board of directors (the “Board”) of the Company. The Committee is established to assist the Board in fulfilling its oversight responsibilities with respect to the financial affairs of the Company, including responsibility to:

- oversee the integrity of the Company’s financial statements and financial reporting process, audit process, internal accounting controls and procedures and compliance with related legal and accounting principles;
- oversee the qualifications and independence of the external auditor;
- oversee the work of the Company’s financial management, internal audit function (if any) and external auditor in these areas; and
- provide an open avenue of communication between the external auditor, the internal auditors (if any), the Board and the Company’s management.

In addition, the Committee shall prepare, if required, an audit committee report for inclusion in the proxy circular prepared in connection with the Company’s annual meeting of shareholders, in accordance with applicable rules and regulations.

The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members (i) to plan or conduct audits, (ii) to determine that the Company’s financial statements are complete and accurate and are in accordance with international financial reporting standards (“IFRS”) or (iii) to conduct other types of auditing or accounting reviews or similar procedures or investigations. The Committee members and its Chair are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control-related activities of the Company, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities. In particular, the member or members identified as audit committee financial experts, if any, shall not be accountable for giving professional opinions on the internal or external audit of the Company’s financial information.

Management is responsible for the preparation, presentation and integrity of the Company’s financial statements. Management is also responsible for ensuring that adequate systems of risk assessment and internal controls and procedures are designed and put in place in accordance with the accounting policies determined by the Committee to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and with applicable laws and regulations. The internal auditor (if any) is responsible for monitoring and reporting on the adequacy and effectiveness of the system of internal controls. The external auditor is responsible for planning and carrying out an audit of the Company’s annual financial statements in accordance with IFRS to provide reasonable assurance that, among other things, such financial statements are in accordance with IFRS.

PROCEDURES

1. Composition – The Committee shall be comprised of at least three members. None of the members of the Committee shall be an officer or employee of the Company or any of its subsidiaries and each member of the Committee shall be an “independent” director (as such term is defined from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Company’s securities are listed for trading) and none of the members shall have

participated in the preparation of the financial statements of the Company or any current subsidiaries of the Company at any time over the past three years.

All members of the Committee must be “financially literate” (as that term is defined from time to time under the requirements or guidelines for audit committee service under securities laws and the rules of any stock exchange on which the Company’s securities are listed for trading or, if it is not so defined, then as that term is interpreted by the Board in its business judgment) or must become financially literate within a reasonable period of time after their appointment to the Committee.

2. Appointment and Replacement of Committee Members – Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board may fill vacancies on the Committee by appointing another director to the Committee. The Board shall fill any vacancy if the membership of the Committee is less than three directors or if the Committee does not have at least one member with accounting or related financial expertise. Whenever there is a vacancy on the Committee, the remaining members may exercise all its power as long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be appointed by the Board annually and each member of the Committee shall remain on the Committee until the next annual meeting of shareholders after his or her election or until his or her successor shall be duly elected and qualified.
3. Committee Chair – Unless a Chair of the Committee is designated by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee. The Chair of the Committee shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings, making committee assignments and reporting to the Board.
4. Conflicts of Interest – If a Committee member faces a potential or actual conflict of interest relating to a matter before the Committee, other than matters relating to the compensation of directors, that member shall be responsible for alerting the Chair of the Committee. If the Chair of the Committee faces a potential or actual conflict of interest, the Chair of the Committee shall advise the Chair of the Board. If the Chair of the Committee, or the Chair of the Board, as the case may be, concurs that a potential or actual conflict of interest exists, then the member faced with such conflict shall disclose to the Committee the member’s interest and shall not participate in consideration of the matter and shall not vote on the matter.
5. Compensation of Committee Members – The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine. No member of the Committee shall receive from the Company or any of its affiliates any compensation other than the fees to which he or she is entitled as a director or a member of the Committee of the Board or any of its affiliates.
6. Meetings of the Committee –
 - (a) *Procedures for Meetings* – Subject to any applicable statutory or regulatory requirements, the articles and by-laws of the Company and the terms of this Charter, the time at which and place where the meetings of the Committee shall be held and the calling of Committee meetings and the procedure in all things at such meetings shall be determined by the Committee, provided that it is understood that the Committee may meet in person and by telephone or electronic means that permit all persons participating in the meeting to communicate simultaneously and instantaneously and that the Committee may act by means of a written resolution signed by all members entitled to vote on the matter.
 - (b) *Calling of Meetings* – The Committee shall meet as often as it deems appropriate to discharge its responsibilities. Notice of the time and place of every meeting shall be given in writing, by any means of transmitted or recorded communication, including facsimile, telex, telegram or other electronic means that produces a written copy, to each member of the Committee at least 24 hours prior to the time fixed for such meeting. However, a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting constitutes a waiver of notice of the meeting, except

where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. Whenever practicable, the agenda for the meeting and the meeting materials shall be provided to members before the Committee meeting in sufficient time to provide adequate opportunity for their review.

- (c) *Quorum* – A majority of the members of the Committee constitute a quorum for the transaction of Committee business.
- (d) *Chair of Meetings* – If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present shall be chosen by the Committee to preside at the meeting.
- (e) *Secretary of Meeting* – The Chair of the Committee shall designate a person who need not be a member of the Committee to act as secretary or, if the Chair of the Committee fails to designate such a person, the secretary of the Company shall be secretary of the Committee. The agenda of each Committee meeting will be prepared by the secretary of the Committee and, whenever reasonably practicable, circulated to each member prior to each meeting.
- (f) *Separate Executive Meetings* – The Committee shall meet at least once every year, and more often as warranted, with the Chief Executive Officer and such other officers of the Company as the Committee may determine to discuss any matters that the Committee or such individuals believes should be discussed privately.
- (g) *Minutes* – Minutes of the proceedings of each Committee meeting shall be kept in minute books provided for that purpose. The minutes of Committee meetings shall accurately record the discussions of and decisions made by the Committee, including all recommendations to be made by the Committee to the Board and shall be distributed to all Committee members.

AUDIT RESPONSIBILITIES OF THE COMMITTEE

Fundamental Powers

- 7. Subject to any applicable statutory or regulatory requirements, the articles and by-laws of the Company and the terms of this Charter, the Committee shall have the following fundamental powers in addition to any powers set out in this Charter or otherwise specified by the Board from time to time:
 - (a) *Access* – The Committee is entitled to full access to all books, records, facilities, and personnel of the Company and its subsidiaries. The Committee may require such officers, directors and employees of the Company and its subsidiaries and others as it may see fit from time to time to provide any information about the Company and its subsidiaries it may deem appropriate and to attend and assist at meetings of the Committee.
 - (b) *Delegation* – The Committee may delegate from time to time to any person or committee of persons any of the Committee’s responsibilities that lawfully may be delegated.
 - (c) *Adoption of Policies and Procedures* – The Committee may adopt policies and procedures for carrying out its responsibilities.

Selection and Oversight of the External Auditor

- 8. The external auditor is ultimately accountable to the Committee and the Board as the representatives of the shareholders of the Company and shall report directly to the Committee and the Committee shall so instruct the external auditor. The Committee shall evaluate the performance of the external auditor and make recommendations to the Board on the appointment, reappointment or replacement of the external auditor of the Company to be proposed in the Company’s proxy circular for shareholder approval and shall have authority to terminate the external auditor. If a change in external auditor is proposed, the Committee shall

review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors before making its recommendation to the Board.

9. The Committee shall approve in advance the terms of engagement and the compensation to be paid by the Company to the external auditor with respect to the conduct of the annual audit. The Committee may approve policies and procedures for the pre-approval of services to be rendered by the external auditor, which policies and procedures shall include reasonable detail with respect to the services covered. All non-audit services to be provided to the Company or any of its affiliates by the external auditor or any of its affiliates which are not covered by pre-approval policies and procedures approved by the Committee shall be subject to pre-approval by the Committee.
10. The Committee shall review the independence of the external auditor and shall make recommendations to the Board on appropriate actions to be taken which the Committee deems necessary to protect and enhance the independence of the external auditor. In connection with such review, the Committee shall:
 - (a) actively engage in a dialogue with the external auditor about all relationships or services that may impact the objectivity and independence of the external auditor;
 - (b) require that the external auditor submit to it on a periodic basis and, at least annually, a formal written statement delineating all relationships between the Company and its subsidiaries, on the one hand, and the external auditor and its affiliates, on the other hand;
 - (c) consider whether there should be a regular rotation of the audit partners responsible for performing the audit and/or of the external audit firm itself; and
 - (d) consider the auditor independence standards promulgated by applicable auditing regulatory and professional bodies.
11. The Committee shall consider whether to prohibit the external auditor and its affiliates from providing certain non-audit services to the Company and its affiliates.
12. The Committee shall establish and monitor clear policies for the hiring by the Company of employees or former employees of the external auditor.
13. The Committee shall require the external auditor to provide to the Committee, and the Committee shall review and discuss with the external auditor, all reports which the external auditor is required to provide to the Committee or the Board under rules, policies or practices of professional or regulatory bodies applicable to the external auditor, and any other reports which the Committee may require.
14. The Committee is responsible for resolving disagreements between management and the external auditor regarding financial reporting.

Appointment and Oversight of Internal Auditors (If Any)

15. The appointment, authority, budget, replacement or dismissal of the internal auditors, if any, shall be subject to prior review and approval by the Committee. When any such internal audit function is performed by employees of the Company or its subsidiaries, the Committee may delegate responsibility for approving the employment, term of employment, compensation and termination of employees engaged in such function other than the head of the Company's internal audit function.
16. The Committee shall obtain from the internal auditors (if any), and shall review, summaries of the significant reports to management prepared by any such internal auditors (or the actual reports if requested by the Committee) and management's responses to such reports.

17. The Committee shall, as it deems necessary, communicate with the internal auditors (if any) with respect to their reports and recommendations, the extent to which prior recommendations have been implemented and any other matters that such internal auditors bring to the attention of the Committee. The head of the internal audit function (if one exists) shall have unrestricted access to the Committee.
18. The Committee shall, annually or more frequently as it deems necessary, evaluate the internal auditors (if any), including their activities, organizational structure and qualifications and effectiveness.

Oversight and Monitoring of Audits

19. The Committee shall review with the external auditor, the internal auditors (if any) and management the audit function generally, the objectives, staffing, locations, co-ordination, reliance upon management and internal audit (if any) and general audit approach and scope of proposed audits of the financial statements of the Company and its subsidiaries, the overall audit plans, the responsibilities of management, the internal auditors (if any) and the external auditor, the audit procedures to be used and the timing and estimated budgets of the audits.
20. The Committee shall meet periodically as it deems necessary with the internal auditor (if any) to discuss the progress of their activities and any significant findings stemming from internal audits and any difficulties or disputes that arise with management and the adequacy of management's responses in correcting audit-related deficiencies.
21. The Committee shall discuss with the external auditor any difficulties or disputes that arose with management or the internal auditors (if any) during the course of the audit, any restrictions on the scope of activities or access to requested information and the adequacy of management's responses in correcting audit-related deficiencies.
22. The Committee shall review with management the results of internal (if any) and external audits.
23. The Committee shall take such other reasonable steps as it may deem necessary to satisfy itself that the audit was conducted in a manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies.

Oversight and Review of Accounting Principles and Practices

24. The Committee shall, as it deems necessary, oversee, review and discuss with management, the external auditor and the internal auditors (if any):
 - (a) the quality, appropriateness and acceptability of the Company's accounting principles and practices and that of its subsidiaries used in its financial reporting, changes in the Company's accounting principles or practices and that of its subsidiaries and the application of particular accounting principles and disclosure practices by management to new transactions or events;
 - (b) all significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the effects of alternative methods within IFRS on the financial statements and any "second opinions" sought by management from any other auditor firm or advisor with respect to the accounting treatment of a particular item;
 - (c) disagreements between management and the external auditor or the internal auditors (if any) regarding the application of any accounting principles or practices;
 - (d) any material change to the Company's auditing and accounting principles and practices or that of its subsidiaries as recommended by management, the external auditor or the internal auditors (if any) or which may result from proposed changes to applicable IFRS;

- (e) the effect of regulatory and accounting initiatives on the Company's financial statements and other financial disclosures;
 - (f) any reserves, accruals, provisions, estimates or management programs and policies, including factors that affect asset and liability carrying values and the timing of revenue and expense recognition, that may have a material effect upon the financial statements of the Company;
 - (g) the use of special purpose entities and the business purpose and economic effect of off-balance sheet transactions, arrangements, obligations, guarantees and other relationships of the Company or its subsidiaries and their impact on the financial results of the Company;
 - (h) any legal matter, claim or contingency that could have a significant impact on the financial statements, the Company's compliance policies and that of its subsidiaries and any material reports, inquiries or other correspondence received from regulators or governmental agencies and the manner in which any such legal matter, claim or contingency has been disclosed in the Company's financial statements;
 - (i) the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Company's operations or those of its subsidiaries;
 - (j) the use of any "pro forma" or "adjusted" information not in accordance with IFRS; and
 - (k) management's determination of goodwill impairment, if any, as required by applicable accounting standards.
25. The Committee will review and resolve disagreements between management and the external auditor regarding financial reporting or the application of any accounting principles or practices.

Oversight and Monitoring of Internal Controls

26. The Committee shall, as it deems necessary, exercise oversight of, review and discuss with management, the external auditor and the internal auditors (if any):
- (a) the adequacy and effectiveness of the Company's internal accounting and financial controls and also of its subsidiaries and the recommendations of management, the external auditor and the internal auditors (if any) for the improvement of accounting practices and internal controls;
 - (b) any significant deficiencies or material weaknesses in the internal control environment, including with respect to computerized information system controls and security;
 - (c) any fraud that involves personnel who have a significant role in the Company's internal control over financial reporting or that of its subsidiaries; and
 - (d) management's compliance with the Company's processes, procedures and internal controls.

Communications with Others

27. The Committee shall establish and monitor procedures for the receipt and treatment of complaints received by the Company and its subsidiaries regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and shall review periodically with management and the internal auditors (if any) these procedures and any significant complaints received.

Oversight and Monitoring of the Company's Financial Disclosures

28. The Committee shall:
- (a) review with the external auditor and with management and shall recommend to the Board for approval the financial statements and the notes and Management's Discussion and Analysis (if any) accompanying such financial statements, the Company's annual report and any financial information of the Company contained in any prospectus or information circular of the Company; and
 - (b) review, as necessary, with the external auditor and with management each set of interim financial statements and the notes and Management's Discussion and Analysis (if any) accompanying such financial statements and any other disclosure documents or regulatory filings of the Company containing or accompanying financial information of the Company.

Such reviews shall be conducted prior to the release of any summary of the financial results or the filing of such reports with applicable regulators.

29. The Committee shall review the disclosure with respect to its pre-approval of audit and non-audit services provided by the external auditor.

Oversight of Finance and Financial Risk Matters

30. Appointments of the key financial executives involved in the financial reporting process of the Company, including the Chief Financial Officer, shall require the prior review of the Committee.
31. The Committee shall receive and review:
- (a) periodic reports on compliance with requirements regarding statutory deductions and remittances and, in the event of any non-compliance, the nature and extent of the non-compliance, the reasons therefor and management's plan and timetable to correct any deficiencies;
 - (b) material policies and practices of the Company and its subsidiaries respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of the Company and its subsidiaries; and
 - (c) material tax policies and tax planning initiatives, tax payments and reporting and any pending tax audits or assessments.
32. The Committee shall meet periodically with management to review and discuss the Company's major financial risk exposures and the policy steps that management has taken to monitor and control such exposures, including the use of financial derivatives and hedging activities and the Company's insurance programs.
33. The Committee shall receive and review the financial statements and other financial information of material subsidiaries of the Company and any auditor recommendations concerning such subsidiaries.
34. The Committee shall meet with management to review the process and systems in place for ensuring the reliability of public disclosure documents that contain audited and unaudited financial information and their effectiveness.

Additional Responsibilities

35. The Committee shall review and make recommendations to the Board concerning the financial structure, condition and strategy of the Company and its subsidiaries, including with respect to annual budgets, long-

term financial plans, corporate borrowings, investments, capital expenditures, long term commitments and the issuance and/or repurchase of shares.

36. The Committee shall review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and the Company's financial obligations.

THE CHARTER

The Committee shall review and reassess the adequacy of this Charter periodically, as it deems appropriate and recommend changes to the Board. The performance of the Committee shall be evaluated with reference to this Charter annually or otherwise periodically as deemed appropriate by the Board.

SCHEDULE “B”

BY-LAWS RESOLUTION (ADVANCE NOTICE REQUIREMENT)

BE IT HEREBY RESOLVED that:

- (1) the following amendment to By-Law No. 1 of the Corporation, which shall be added to Section 1.1 of By-Law No. 1 of the Corporation in the appropriate alphabetical sequence is hereby ratified, confirmed and approved:

“**Nominating Shareholder**” has the meaning ascribed to that phrase in section 2.1A(c);

“**Nomination Notice**” has the meaning ascribed to that phrase in section 2.2A;

“**Nominee**” has the meaning ascribed to that phrase in section 2.3A(a);

- (2) the following amendment to By-Law No. 1 of the Corporation, which shall be inserted following Article 2 and preceding Article 3 of By-Law No. 1 of the Corporation, is hereby ratified, confirmed and approved:

“ARTICLE 2A NOMINATION OF DIRECTORS

2.1A Nomination of Directors

Subject to the Act and the articles, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board may be made:

- (a) by or at the direction of the board, including pursuant to a notice of meeting;
- (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of the shareholders made in accordance with the provisions of the Act; or
- (c) by any person (a “**Nominating Shareholder**”) who: (i) at the close of business on the date of the giving of the notice provided described in section 0A and on the record date for notice of such meeting of shareholders is a registered holder of one or more shares carrying the right to vote at such meeting of shareholders; and (ii) complies with the provisions set forth in this section.

2.2A Timely Notice

A Nominating Shareholder must give notice of a nomination (a “**Nomination Notice**”) in proper form to the chairman of the board:

- (a) in the case of an annual meeting of shareholders, not less than 30 days before the date of the annual meeting of shareholders, unless such meeting of shareholders is called for a date that is less than 50 days after the date on which the first public filing or announcement of the date of such meeting was made, in which case a Nomination Notice must be given not later than the close of business on the 10th day following the date of such public filing or announcement; and
- (b) in the case of a special meeting of shareholders (which is not also an annual meeting of shareholders) called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the 15th day following the day on which the first public filing or announcement of the date of such meeting of shareholders was made.

In the event of any adjournment or postponement of a meeting of shareholders, or an announcement thereof, the required time periods for the giving of a Nomination Notice as described above shall apply using the date of the adjourned or postponed meeting, or the date of announcement thereof, as the case may be. This means that a Nominating Shareholder who failed to deliver a timely Nomination Notice in proper written form to the chairman of the board for purposes of the originally scheduled meeting of shareholders shall nonetheless be entitled to provide a Nomination Notice for purposes of any adjourned or postponed meeting of shareholders as the determination as to whether a Nomination Notice is timely is to be determined based off of the adjourned or postponed meeting of shareholders date and not the original meeting of shareholders date.

2.3A Proper Written Form

To be in proper written form, a Nomination Notice must set forth:

- (a) disclose or include, as applicable, as to each person whom the Nominating Shareholder proposes to nominate for election as a director (a “**Nominee**”):
 - (i) their name, age, business and residential address, principal occupation or employment for the past five years, status as a “resident Canadian” (as such term is defined in the Act);
 - (ii) their direct or indirect beneficial ownership in, or control or direction over, any class or series of securities of the Corporation, including the number or principal amount;
 - (iii) any relationships, agreements or arrangements, including financial, compensation and indemnity related relationships, agreements or arrangements, between the Nominee or any affiliates or associates of, or any person or entity acting jointly or in concert with, the Nominee and the Nominating Shareholder; and
 - (iv) any other information that would be required to be disclosed in a dissident proxy circular or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to the Act or applicable securities law.
- (b) disclose or include, as applicable, as to each Nominating Shareholder giving the notice and each beneficial owner, if any, on whose behalf the nomination is made:
 - (i) their name, business and residential address, direct or indirect beneficial ownership in, or control or direction over, any class or series of securities of the Corporation, including the number or principal amount;
 - (ii) their interests in, or rights or obligations associated with, an agreement, arrangement or understanding, the purpose or effect of which is to alter, directly or indirectly, the person’s economic interest in a security of the Corporation or the person’s economic exposure to the Corporation, including any derivative or hedging arrangements;
 - (iii) any proxy, contract, arrangement, agreement or understanding pursuant to which such person, or any of its affiliates or associates, or any person acting jointly or in concert with such person, has any interests, rights or obligations relating to the voting of any securities of the Corporation or the nomination of directors to the Board; and
 - (iv) any other information relating to such person that would be required to be included in a dissident proxy circular or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to the Act or as required by applicable securities laws;
- (c) Such notice shall include a written consent duly signed by each Nominee to being named as a nominee and to serve as a director of the Corporation, if elected, and that the Nominee is eligible to serve as a director under the Act.

- (d) All information to be provided in a Nomination Notice shall be provided as of the date of such notice. The Nominating Shareholder shall update such information forthwith so that it is true and correct in all material respects as of the date that is 10 business days prior to the date of the meeting of shareholders, or any adjournment or postponement thereof.

2.4A Further Information

The Corporation may require that any Nominee furnish such other information as may be required to be contained in a dissident proxy circular or by applicable law or regulation to determine the independence of the Nominee or his or her eligibility to serve as a director of the Corporation or a member of any committee of the board.

2.5A Discussion Permitted

Nothing in this section shall be deemed to preclude discussion by a shareholder (as distinct from nominating directors) at a meeting of shareholders of any matter in respect of which such shareholder would have been entitled to submit a proposal pursuant to the provisions of the Act.

2.6A Notice

A Nomination Notice may only be given by personal delivery, facsimile transmission or by e-mail at such e-mail address as may be stipulated from time to time by the Corporation for purposes of this notice, and shall be deemed to have been given and made only at the time it is served by personal delivery to the chairman of the board at the registered address of the Corporation, sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) or sent by e-mail (at the address as aforesaid); provided that if such delivery or electronic communication is made on a day which is not a business day or later than 5:00 p.m. (Toronto time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the next following day that is a business day.

2.7A Additional Matters

- (a) The chairman of any meeting of shareholders shall have the power to determine whether any proposed nomination is made in accordance with this section, and if any proposed nomination is not in compliance with such provisions, must declare that such defective nomination shall not be considered at any meeting of shareholders.
 - (b) Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this section.”
- (3) any one director or officer of the Corporation is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.